

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
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Legislation Title:

AN ORDINANCE relating to the rates, terms and conditions for the use and sale of electricity supplied by the City Light Department, amending Seattle Municipal Code Chapter 21.49 to add a First Avenue South Phase 2 undergrounding charge, applied to all City of Burien rate schedules.

Summary of the Legislation:

This ordinance implements a charge to reimburse City Light for the second phase of undergrounding its distribution facilities along First Avenue South within the City of Burien (the First Avenue South 2 undergrounding project). For this purpose, the ordinance adds the charge of \$0.0013 per kWh for City of Burien Standard Residential and Non-Residential customers and \$0.0005 per kWh for City of Burien low-income customers. The charge for undergrounding is equivalent to a rate increase of about 1.6% over current Burien base rates.

Background:

The City of Burien passed Ordinance 247 in 1999, specifying the terms of the agreement under which Seattle City Light would serve the City of Burien; this ordinance was accepted by the City of Seattle by Ordinance 119348 of 1999.

The agreement allows Seattle City Light to recover the capital cost of undergrounding its electrical facilities in accordance with its standard financial practices. The First Avenue South 2 undergrounding project in the City of Burien was completed in 2013. According to Seattle City Light's standard financial practices, City of Burien customers will reimburse City Light over 25 years at five percent interest and that reimbursement will occur in the form of a charge per kilowatt-hour to the customers in the City of Burien. The total capital cost of the First Avenue South project--Phase 2, including taxes, amounts to \$5.6 million.

☐ This legislation does not have any financial implications.

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Appropriations: Not Applicable

Appropriations Notes: None

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2013 Revenue	2014 Revenue
Light Fund (41000)	City Light	First Avenue South 2 Charge	\$394,124	\$394,124
TOTAL			\$394,124	\$394,124

Revenue/Reimbursement Notes:

Undergrounding charge to be collected over 25 years—capital, taxes and interest. Amounts shown are first two years.

Spending/Cash Flow Notes: Not Applicable

Other Implications:

a) Does the legislation have indirect financial implications, or long-term implications?

Spreading this reimbursement over 25 years increases the amount that City Light must borrow, thereby increasing its outstanding debt balance and debt service requirements. However, receipt of the reimbursements over the 25 year period will increase cash available for debt service each year, mostly offsetting the increase in debt service but not exactly offsetting it because of the 1.8x coverage requirement and also because of any difference that may exist between the interest rates on debt issued and the 5% interest rate used to amortize the reimbursement over 25 years. City Light's debt to capitalization ratio will also increase, but only by an immaterially small amount.

b) What is the financial cost of not implementing the legislation?

The financial cost to City Light of not implementing the First Avenue South 2 undergrounding charge is that all City Light customers will bear the cost of that project in their rates.

c) Does this legislation affect any departments besides the originating department?

No.

d) What are the possible alternatives to the legislation that could achieve the same or similar objectives?

None.

e) Is a public hearing required for this legislation?

No.

f) Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?

No.

g) Does this legislation affect a piece of property?

No.

h) Other Issues: None.

List attachments to the fiscal note below: None.